

VZCZCXRO0035

RR RUEHAO RUEHCD RUEHGA RUEHGD RUEHHA RUEHHO RUEHMC RUEHMT RUEHNG  
RUEHNL RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC  
DE RUEHUB #0739/01 2522014  
ZNY CCCCC ZZH  
R 082014Z SEP 08  
FM USINT HAVANA  
TO RUEHC/SECSTATE WASHDC 3713  
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS  
RUCOWCV/CCGDSEVEN MIAMI FL  
RUEAIIA/CIA WASHINGTON DC  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC  
RUCOGCA/COMNAVBASE GUANTANAMO BAY CU  
RHMFISS/HQ USSOUTHCOM MIAMI FL  
RHMFISS/JOINT STAFF WASHINGTON DC  
RHEFDIA/DIA WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 03 HAVANA 000739

SIPDIS

DEPT FOR WHA/CCA

E.O. 12958: DECL: 09/07/2018

TAGS: [ECON](#) [PGOV](#) [PINR](#) [PREL](#) [CU](#)

SUBJECT: CUBAN ECONOMY HURT BY GUSTAV, MAY BE CRUSHED BY IKE

REF: A. HAVANA 717

[1](#)B. HAVANA 722

HAVANA 00000739 001.2 OF 003

Classified By: COM: Jonathan Farrar: For reasons 1.4 (b) and (d)

-----  
SUMMARY  
-----

[1](#)1. (C) Hit by two major hurricanes in eight days, the damage to the Cuban economy is extensive and likely to delay any further economic reforms in the near-term. While Cuba may have escaped significant harm to its main exporting sectors (nickel, medicines, and tobacco), other agricultural sectors key to satisfying domestic demand (sugar, rice, coffee, poultry, eggs, cacao, and fruit) were pounded by record high winds and rains. The Government of Cuba's (GOC) first priorities are to restore electricity to the state-run stores and secure enough assistance and imports to feed a country that has grown dependent on government provided food rations. That may prove difficult in an environment where the GOC has notified several creditors that it is unable to pay for past imports and has refused USG and European Community assistance. END SUMMARY

-----  
LIMITED DAMAGE TO EXPORTS FROM GUSTAV; IKE TBD  
-----

[1](#)2. (U) While extremely destructive (Ref A), hurricane Gustav managed to land in western Cuba in between tobacco harvesting seasons thus limiting the damage to Cuba's number three export (USD 236 million in 2007). According to GOC media, Gustav destroyed 3,306 tobacco curing barns, leaving 906 tons of tobacco leaves (export value around USD 10 million) wet in Pinar del Rio, the province that produces over 70 percent of Cuban tobacco. It is likely that much of the wet tobacco will be re-dried and sold in cheaper tobacco products. In addition, any damage to seeds and the tobacco fields will delay but not necessarily reduce export revenue from this key sector.

[1](#)3. (U) Hurricane Ike landed on September 7 in Holguin province, the source of Cuba's largest export sector - mining (USD 2.15 billion in 2007, 58% of export revenue). However, the eye of the storm hit northern Holguin, missing

the main mines in the southern part of the province and likely limiting any serious harm. Transporting products to ports will become the main challenge due to blocked roads and flooding, but once again this should only delay export revenue and not cause any long-term damage to the sector.

-----  
-----  
HEAVY DAMAGE TO INFRASTRUCTURE AND FOOD SUPPLY  
-----  
-----

14. (U) The overwhelming focus of the GOC media after Gustav is the effects of the hurricane on infrastructure, in particular housing and electricity. Gustav, which only crossed 3 of Cuba's 14 provinces and special municipality, damaged or completely ruined an estimated 100,000 homes, including 80-85% of the homes on the Island of Youth. In addition, media and civil society sources have confirmed that, despite GOC claims and promises, some Cubans in these areas still remain in "temporary" housing following hurricane Charley in 2004 and hurricane Michelle in 2001. Pinar del Rio was knocked off the national electricity grid, and although part of Pinar del Rio now has electricity thanks to de-centralized diesel and fuel oil generators, the GOC estimated (prior to hurricane Ike) that it will take more than 30 days to completely restore power to Pinar del Rio alone. The Island of Youth will not be so lucky as nine days later there is still no electricity on the island. It will likely take months before power is restored, especially now that resources will need to be diverted to more productive provinces damaged by Ike.

15. (SBU) According to GOC media, Gustav ruined more than 32,000 acres of crops, including rice, vegetables, and

HAVANA 00000739 002.2 OF 003

bananas. 42,000 cans of coffee were destroyed and farmers euthanized 930,000 chickens and 161,000 pigs. Hurricane Ike will cross the heart of Cuba, potentially damaging sugar plantations and factories. Unlike the export industries, these losses are felt immediately by Cubans. (Note: We have already heard reports of shortages in bananas and eggs in Havana. End Note.)

16. (SBU) Following Gustav's run through western Cuba, Fidel Castro estimated in one of his "reflections" the cost of alleviating Cuba's basic needs as 30 or 40 times 100 million dollars (USD 3-4 billion). The GOC media highlighted aid from Russia and Venezuela and teams of specialists from other provinces that traveled to Pinar del Rio and the Island of Youth to help their comrades. Meanwhile, Hurricane Ike is on track to cover most of the provinces in Cuba and will require many of the Cubans sent post-Gustav to assist western Cuba to return home to rebuild their own provinces. Already stretched resources will soon run dry. Prior to this hurricane season, GOC officials had reported their intent to increase infrastructure investment by 15 percent in 2008 and significantly reduce their reliance on imports. The impact of Gustav and Ike will likely result in the opposite outcome.

-----  
POTENTIAL DAMAGE TO RELATIONSHIPS AND REFORMS  
-----

17. (C) International media reported, and we confirmed with our Japanese contacts, that the Cuban Central Bank informed the Government of Japan-backed Nippon Export and Investment Insurance agency in early August that it was unable to make timely payment of recent imports due to a shortage of foreign exchange. A September 5 Reuters article claims that Cuban debt increased by USD 1.1 billion in 2007 to USD 16.5 billion (the GOC had failed to update this figure in their 2008 annual statistics report), and that Cuba has informed

at least two countries that it is unable to pay its import bills on time. We expect the GOC to use this season's hurricanes as a further excuse to restructure short-term debt with other countries.

¶8. (C) On September 7, the GOC formally declined the USG offer to send a team of experts to assess the damage from hurricane Gustav (Ref B), without any mention of our offer of USD 100,000 in immediate assistance. The article in the GOC-run newspaper Granma said that the Cuban experts had basically already completed the task of assessing the damage. (Note: The same edition of Granma highlighted the visit of Venezuelan Minister of Defense Gustavo Reyes Rangel Briceo leading an assessment team to view the damage in Pinar del Rio. End Note.) Rather than focusing on the dire needs of its citizens, the GOC once again used the opportunity to call for the end of U.S. embargo.

-----  
COMMENT  
-----

¶9. (C) While one contact has suggested that significant damage to the agricultural sector and high international prices may lead to more desperate, and therefore, expansive reforms, we believe the regime is more likely to devote all resources on fixing the significant short-term problems caused by this hurricane season rather than gambling on long-term solutions.

¶10. (C) Some planning models have posited the potential effects on stability in Cuba of two near-simultaneous hurricanes. Gustav and Ike fit that scenario almost perfectly. However, the GOC under Raul, with Fidel a continued presence, is pursuing traditional means of dealing with disasters, showing only slightly more flexibility in accepting outside assistance. The twin threats to domestic food production and economic reform, together with a significant increase in gas prices announced today (septel) may begin to increase pressure on the GOC to be open to more aid. Tougher conditions at home also hold the potential to generate more migration in

HAVANA 00000739 003.2 OF 003

fairly short order.  
FARRAR